ARTICLE 10

SECTION 5

TREATMENT OF INCOME

1. GENERAL

This section details the treatment of specific kinds of income and provides instructions necessary to determine income available in specific case situations.

2. INCOME IN-KIND

Income in-kind exists when a full item of need for one or more MFBU members is earned or voluntarily contributed by a person, other than a responsible relative, for a full calendar month.

In-kind income exists when a payment is made to the provider of the item of need. However, if the money is given to the applicant/beneficiary the entire amount is income rather than income in-kind.

A. Evaluation

The following items of need will be considered when determining if in-kind income exists:

1) Housing

2) Utilities

3) Food

4) Clothing

Income in-kind should be evaluated anytime the applicant/beneficiary's income appears to be less than his/her needs. It should also be explored anytime a beneficiary reports a loss, significant decrease, or absence of income, as well as a change in household composition, or in any shared housing situation. Conversely, existing income in-kind should be re-evaluated whenever the recipient reports a job start or other source of new income. The worker will document clarification of income in-kind on Form 16-2 DSS, MC 210, 14-29 DSS, or in the case narrative.

In-kind income cannot be assumed solely because the applicant/beneficiary does not pay toward a need item.

B. Temporary Absence From the Home

The value of free room and board received during a temporary absence from the home will be considered as follows:

1) If the absence is for one month or less, the income in-kind value will not be considered income.

2) If the absence is for more than one month, the income in-kind value will be considered income to the extent that it exceeds the actual costs of maintaining the home to which the beneficiary will return.

C. Examples

1) Applicant/beneficiary lives in a camper parked on the street. While housing and utility needs exist, payment is not met by an earned or voluntary contribution, nor does the client pay for these need items. Income in-kind? No.

2) Applicant/beneficiary resides with friends who live in military housing. The applicant/beneficiary pays $100 to the friend each month until a separate residence can be located. Income in-kind? No.

3) Same situation as Example 2) but friend freely provides housing and utilities per applicant/beneficiary's statement. Income in-kind? Yes.

4) Applicant/beneficiary's only child is an unborn. There is no contribution from a person or organization to meet the items of need. Does income in-kind for the unborn from the mother exist? No.

5) Parent maintains apartment house in exchange for housing. The parent is an illegal alien and ineligible member of the MFBU. The MFBU consists of two eligible children. Income in-kind? Yes.

   The amount used in the Ineligible Parent budget is the in-kind value for three people or the actual, whichever is less.

6) A person owns a mortgage protection insurance policy. The insurance company is now paying the mortgage payments due to the person's disability. In-kind income? No.

   Income in-kind occurs only when an entire item of need is contributed. Since the person has paid and is paying premiums on this insurance, the entire item of need is not being contributed.

7) A beneficiary who is in the military lives on base and does not pay rent or utilities. Earned income in-kind? Yes.

8) An unmarried minor parent lives with the parents; parents provide free room and board to minor parent and the minor parent's born children. Income in-kind?

   Yes, but only for the minor parent's children. Income in-kind is attributed only to the minor parent's children as her parents are financially responsible relatives of the minor parent.

Generally, for an entire item of need to be contributed, the contribution would be for all members of the MFBU. However, there are instances in which only certain members of the MFBU are being provided an item of need, or are being provided that need item by someone other than a financially responsible relative.

9) A mother states that she generally purchases the clothing for herself and her children. During the month of application, she purchased no clothing for the family, but her daughter received a new dress as a birthday present from an aunt. Income in-kind? No.

   Even though the only item of clothing obtained during the month was contributed by someone other than a financially responsible relative, no income in-kind for clothing is attributed to the daughter because all of her clothing is not contributed.

10) A mother states she never spends any money on clothing for herself and her children. All of their clothing and footwear are donated to her by friends, neighbors, and her church. Income in-kind? Yes.

   In this case, income in-kind for clothing is attributed to the MFBU on a monthly basis.

   NOTE: Since items of clothing may not be obtained every month, income in-kind for clothing is based upon the source of clothing when it is obtained. Income in-kind for clothing is attributed to a member of the MFBU only if all clothing obtained by/for that person is contributed by someone other than a financially responsible relative.

11) A pregnant woman receives income in-kind. Is income in-kind counted for the unborn also? Yes.

   Income in-kind for housing, utilities, or food is attributed to the unborn when the mother has the item contributed by someone other than a financially responsible relative. Income in-kind for clothing would be attributed to an unborn if the mother stated that all of the infant's clothing and diapers will be contributed by someone other than a financially responsible relative once the child is born.

D. Verifications

See MPG Article 4, Section 7.

E. Value of Income In-Kind

1) The state assigns a dollar value to each item of need. These values are listed in Appendix 10-5-A1. The worker first determines the need items provided or earned for the number of persons in the MFBU. The worker then determines the dollar value of each item of need. This value will be the amount shown in Appendix 10-5-A1 or the actual value, whichever is less. Applicants/beneficiaries shall be

advised of the right to submit verification of the actual value if they believe the value is lower than the in-kind values listed in Appendix 10-5-A1.

EXAMPLE:

A beneficiary receives free housing and has verified that the actual value of the housing is $95. Although, the in-kind value chart (Appendix A) is higher, $95 is used in the share-of-cost determination because it is the lesser of the two amounts.

2) If one of the items of need is shared with persons who are not included in the MFBU, the income in-kind value to the members of the MFBU is the lesser of:

a) The MFBU members share of the net market value or actual cost of the item; or

b) The income amount assigned to the need item in Appendix 10-A.

EXAMPLE:

An adult beneficiary and her sister share an apartment and their parents pay the rent. The total rent is $600 and the client's share is $300. The client's share of $300 is compared to the in-kind value amount (Appendix 10-5-A1). Because the value listed on the chart is less than $300, the chart value is used when computing the client's share-of-cost.

F. Exemptions/Deductions

Both earned and unearned income in-kind are subject to all applicable income exemptions (see MPG Article 10, Section 3) and deductions (see MPG Article 10, Section 6).

EXAMPLE:

A beneficiary receives free housing and utilities in exchange for odd jobs she does for the apartment manager. In order to perform the duties, she pays $50 per month for child care. The $30 plus 1/3 deduction (if applicable) is allowed, as well as the $75 work-related, expense deduction and the $50 child care expense.

3. INCOME FROM PROPERTY

This section provides information necessary to determine net income from property. This information will be recorded on Form MC 176 P. (See MPG Article 9, for form completion instructions.)

A. Income From Deed of Trust or Mortgage

The interest portion of the income from a Deed of Trust or mortgage is considered net income. (See MPG Article 10, Section 4.I. for computation instructions.)

B. Income From Life Estate

Income from property in which the person holds a life estate is the amount actually received.

C. Income From Personal Property

The net income from personal property is the amount actually received.

D. Rental Income

1) Documentation

Rental income is computed in Section C of Form MC 176 P. MPG Article 9 provides completion instructions for Form MC 176 P. Form MC 176 P will be completed at intake, renewal and when the situation changes to the extent that the existing MC 176 P is no longer valid. Examples include: rental amount increases or decreases, a mortgage is paid off, or the applicant/beneficiary discontinues renting the property, etc.

Use the back of Form MC 176 P for itemizing and computing deductions. For property computations that cannot be completed on Form MC 176 P, the worker is to use Form 07-88 DSS.

2) Deductions

Deductions are calculated differently for:

a) Income from the rental or real property not located on the same property as the principal residence; and

b) Income from rental unit(s) on the same property as the principal residence. (See 4), below, Prorating Deductions.)

The following deductions will be allowed when determining the net income from rental property:

3) Allowable Deductions

a) Taxes, Assessments and Insurance

(1) Insurance and taxes are usually included in the monthly mortgage payment.

(2) If reviewing an insurance policy for this deduction, divide the total cost of insurance by the number of months the policy covers to determine the monthly insurance expense. Property insurance is usually written for 12 or 36 months.

b) Interest on Encumbrance Payments

The mortgage payment includes principal and interest. The principal portion of the payment is not a deduction when computing income from a rental.

The interest paid is a deduction. The interest is computed by either:

(1) Dividing the prior year's interest amount by 12 (interest paid statements are provided annually from the lending institution); or

(2) Using the last interest payment and projecting for the year.

c) Utilities

The average for utility costs will be based on six months actual costs when possible. When six months documentation is not available, the computation will be based on documented actual costs for a lesser period of time.

d) Upkeep and Repairs

The amount of upkeep and repairs to be deducted is the greater of the following:

(1) Fifteen percent (15%) of the gross monthly rental income, plus $4.17 per month; or

(2) The actual amount spent for upkeep and repairs during the month. In addition to actual repair costs, the following will be considered as upkeep and repair expenses:

(a) Reasonable property management fees; and

(b) Homeowners Association fees for condominium complexes.

NOTE: In determining whether utilization requirements are met for other real property (as detailed in Article 9, Section 5), only the amount actually spent for repairs and upkeep will be deducted (d)(1), above, does not apply). Compute net income for utilization on Form MC 176 P, Sections C and D, without considering lines C.2, a, b, or c.

4) Prorating Deductions

a) When to Prorate Deductions

All, or a portion, of expenses deducted from rental property must be prorated when the following conditions exist:

(1) The rental property is located on the home property that is exempt as the principal residence; and

(2) The applicant or beneficiary lives in a portion of the property.

Expenses which are common to the property as a whole are prorated, while expenses which can be attributed solely to the rental property are not prorated.

EXAMPLE:

The applicant lives in one-half of a duplex and rents out the other half. The applicant pays water and electricity for both units. One water bill is received and paid by the applicant for both units, and a separate electric bill is paid by the applicant for each unit. The electric bill would not be prorated. The entire amount paid for electricity for the rental unit would be deducted. The water will would be prorated because the bill is for both the exempt property (principal residence) and the rental property.

b) How to Prorate Deductions

Deductible expenses (as detailed 3)a) through d), above) which are common to the property as a whole, will be prorated as follows:

(1) Determine the number of rooms in the building, including the applicant's principal residence. If there is more than one building, determine the number of rooms in all of the buildings together. Rooms include any room other than the following:

(a) bathroom;

(b) hallway;

(c) closet; and

(d) unfinished basement, loft, or attic.

(2) Determine the number of rooms which are producing rental income.

(3) Based on the total number of rooms, determine the percentage of the property which is producing the rental income (divide the number of rooms producing income by the total number of rooms).

(4) Apply the percentage determined in 4)b)(3), above, to the allowable expenses (detailed in D.3) which are common to the property as a whole.

NOTE: This computation will be completed on the back of Form MC 176 P.

<u>EXAMPLE</u>:

An applicant owns a duplex. The applicant's half of the duplex contains 6 rooms (not including, hallways and bathrooms). The rental unit contains 4 rooms.

(a) The total number of rooms in the computation = 10.

(b) The number of rooms producing rental income = 4.

(c) The percentage of the property producing rental income = 40% (4 rooms producing income divided by 10 total rooms).

(d) This percentage is applied to each allowable expense, which is common to the property as a whole, to determine the amount to be deducted. Enter this amount on Form MC 176 P, Section C.

5) <u>Income From Property Limited to Seasonal Use</u>

For the purpose of determining net yearly income for property limited to seasonal use, the year is considered to begin in the first month of the year in which income normally begins. Income from all months of the year shall be considered in determining net yearly income of the property, regardless of the eligibility status of the beneficiary in those months.

4. <u>ROOM AND BOARD/ROOMMATES</u>

Medi-Cal regulations provide three methods for computing net income from monies received for housing from non-family members living in the home of Medi-Cal applicants/beneficiaries. The worker will explain to the client how the net income is computed. The following describes the circumstances under which each method is applicable.

A. Ten Percent Gross Method

Ten percent of the gross amount received is counted as income when determining the share-of-cost, when both of the following conditions exist:

1) The individual who receives the income routinely provides room and board to non-family members (i.e., if the non-family member currently in the home were to leave, the individual would seek another such boarder for additional income); and

2) A business license is not required.

EXAMPLE:

Mr. and Mrs. A are Medi-Cal applicants. They live near a college and routinely rent their spare room to students. They do not have a business license and do not report the income as self-employment. At time of application, however, their adult daughter (who is not considered to be a family member under the Medi-Cal eligibility determinations) is using the room and is paying them $80 per month. The A's state that if the daughter were to leave, they would try to find someone else to rent the room.

The net monthly income in this instance is $8.00 (10 percent of $80).

B. Actual Costs Method

The amount paid to an applicant/beneficiary which is in excess of the contributor's actual share-of-cost will be counted as income when both of the following conditions exist:

1) The individual who receives the income does not routinely provide room and board to non-family members (i.e., if the non-family member currently in the home were to leave, the individual would not seek another such boarder for additional income); and

2) A business license is not required.

EXAMPLE:

Mr. and Mrs. C apply for Medi-Cal on behalf of themselves and their one minor child. Mr. C's mother lives with them and gives Mr. C $100 per month to use toward meeting those household costs which directly benefit her. If the mother were not in the home, the C’s would not seek another person to move into the home. The C’s monthly costs are follows:

Rent	$250
Utilities	50
Food	200
TOTAL	$500

Since there are 4 persons in the home, the mother's share of the actual costs is $125 ($500 divided by 4). Since her $100 contribution is less than her share of actual costs, there is no net income to the C's.

If she instead were contributing $130 per month, then the net income to the C's would be $5.

If the mother lived in a room with its own kitchen, and bought and prepared all of her own food, then the mother's share of actual costs would be 1/4 of $300 (rent and utilities) or $75. If the mother were contributing $100/month to the C's, the C's net income would be $25.

C. Self-Employment Method

The net income to be counted when determining the share-of-cost, is the net profit from self-employment (see item 5., below) when either of the following conditions exist:

1) The individual who receives the income has a business license; or

2) The individual reports the income for tax purposes as self-employment or the individual considers the income as income from self-employment.

EXAMPLE:

Mrs. B has converted her house into a boarding home. She has a business license, but her yearly total income is so low that she has never bothered completing an income tax return. Her annual gross receipt from the boarding home is $7,000; her annual allowable expenditures are $5,800.

The net monthly income in this instance is $100 ($7,000 - $5,800 = $1,200 divided by 12).

5. SELF-EMPLOYMENT INCOME — MEM Proc 10-M

This section provides guidelines for determining net income from self-employment.

A. Identifying Self-Employment

While generally it is clear whether an individual is self-employed, there are occasionally instances where it can be difficult to determine whether the individual is self-employed or working for another person or entity. For example, an individual may be working at a “job” that has characteristics of both self-employment and being in another’s employ, such as certain real estate agents or consultants. To assist workers in making this judgment, several “indicators” of self-employment are listed below in order of importance.

- The individual defines for him/herself the scope and nature of their work and daily work activities, including work-duration.

- Applicable to individuals "selling" services (as opposed to selling goods).

- Others assume no, or only limited, liability for the individual's work and for the individual during the course of his/her work.

- The individual does not work in someone else's facility, or use someone else's capital.

- The individual's employment requires that he/she own substantial equipment, which is subject to depreciation, and the individual "bargains for" and receives compensation, which reflects the cost of such depreciation.

- The individual files an income tax return as a self-employed person (e.g., files a Schedule C).

- The person or entity providing compensation to the individual for his/her services does not deduct Social Security taxes or federal taxes from the compensation payment.

It is possible for these indicators to provide conflicting information. For example, an individual may not have Social Security or withholding taxed deducted from his/her compensation and yet the individual is working on another's premises, under another's supervision, subject to another's directions. This scenario may occur where the employment is "under the table." Generally, such an individual would not be considered self-employed.

The worker should give consideration to each of the above indicators in addition to any other factors that may be pertinent to the individual's job situation. In the case of conflicting information, the worker must weigh all of the indicators and exercise best judgment.

B. Computing Net Income From Self-Employment

Net self-employment income (business income) is determined by subtracting from the total business revenue those expenses which are directly related to the production of goods and services, and without which the goods or services could not be produced.

1) Allowable Expenses

Expenses which are directly related to the production of goods and services, and which are subtracted from business revenue to compute net business income include the following:

- Material and supply costs;

- Wages and other benefits paid to employees;

- Payment for rental of space or equipment;

- Payment of interest on loans for capital assets or durable goods;

- Transportation costs to call upon customers, or deliver goods;

- Maintenance and repair costs; and
- Other necessary costs of doing business (e.g. advertising, business dues and publications, and insurance).

Note: If an expense is partially personal and partially business, only the business part is deductible.

2) Expenses Not Allowed

Certain expenses, although connected to business activities, are not considered to be directly related to the production of goods and services, and cannot be subtracted from business revenue for purposes of determining business income. These non-allowable expenses include:

- Entertainment costs;
- Depreciation;
- Expenditures to purchase capital equipment;
- Payment on the principal of loans used to acquire capital assets or durable goods;
- Meals; and
- Transportation to and from work.

C. Verification and Records of Self-Employment Income

1) IRS Form Used to Verify Income

The previous year's tax returns can be used to determine projected monthly self-employment income. Appendix B-1 provides a flow chart to assist workers in determining whether or not the previous year's tax return should be used for calculating projected monthly self-employment income.

When using the previous year's tax returns to estimate income for the current year, most of the business deductions allowed by the IRS are allowable for purposes of determining net business income, **with the exception of the above non-allowable expenses**.

Once the worker determines the total net income for the year, if the business was operated throughout the previous year, the worker is to divide the total by 12. The resulting amount is the projected monthly self-employment income to be apportioned into the monthly Medi-Cal case budget for the current year.

If the business was not operated throughout the previous year, the worker is to determine the number of months it was operated. Then, the worker is to subtract the total allowable business expenses for the previous year from the total business income in the previous year. The result is to be divided by the number of months the business was operated. The remainder is the projected monthly self-employment income to be apportioned into the monthly Medi-Cal case budget for the current year.

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Example: A worker is able to determine from an individual's tax return that the individual had $12,000 in business revenue and $4,000 in allowable business expenses from the previous year. The individual tells the worker that his/her business was operational for eight months of the previous taxable year. To estimate monthly net business income for the current taxable year (assuming the business will be operational for the entire current taxable year), the worker is to subtract the $4,000 in allowable business expenses from the $12,000 total revenue. The remainder of $8,000 is to be divided by 8 (the number of months the business was operated). The result is $1,000 in projected monthly net income from self-employment for the current year.

2) Estimating Current Year's Income when last year's tax forms are:

- unavailable; or
- not indicative of the current year's net self-employment income.

At times, a worker may have reason to believe that last year's tax return will not provide a reasonably accurate estimate of this year's income. Additionally, an applicant/beneficiary who believes that last year's tax return does not accurately reflect this year's income can request that the county reevaluate his/her net business income based on recent statements of total business revenue and expenses. In these situations, workers are to request that the applicant/beneficiary provide documentation of current business income. The documentation provided must include an organized, coherent, readable bookkeeping record or statement of total business revenues and business expenses for at least the previous three months.

Note: Workers do have flexibility to make adjustments in the requirement that the applicant/beneficiary submit a bookkeeping record or statement for the last three months.

The applicant/beneficiary has the option of submitting documentation of business income for more than three months if he/she feels that it would be helpful in estimating his/her income.

The worker also has the option of requesting more than three months of business records or statements if he/she has reason to believe that it is likely that a substantially inaccurate estimate would result without the additional information.

Example 1: An applicant applies for Med-Cal in June. The applicant is self-employed providing day-care services and her client base is steady throughout the year. She has bookkeeping statements for her business for February, March and April, but has not yet finished preparing statements for May. The worker may accept a bookkeeping record/statement for February through April.

Example 2: An applicant applies for Medi-Cal in May. He owns a small crab boat and fished from September through December last year. His catch, and income from it, fluctuates substantially from month to month. From January through March of this year he was unemployed. Last year he was employed from January through March. He owns a logging truck, and from April through August of last year he contracted out to several small logging companies to haul felled logs to their mills. His logging contract tends to produce consistent revenue. He started his trucking operation in April of this year and expects to repeat last year's work pattern. He doesn't have a tax return from last year. He kept poor records.

Estimating income in situations like this is difficult, and eligibility staff need to analyze all available information and exercise their best judgment in doing so. The thoroughness of an applicant's business records is a legitimate consideration in determining the extent of verification to require. In this example, the applicant has not kept thorough records, and getting bank statements and verification for the last three months will not suffice to obtain a reasonable estimate of net business income for the year.

In this example, it is reasonable for the county to require verification of business revenue and expenses for the months in which the applicant was self-employed as a fisherman. Bank statements for deposited business revenue and receipts for business expenses are acceptable. If the applicant has a credible reason for his inability to provide bank statements and certain business expense receipts, it may be acceptable, for example, to use estimates of monthly catch and price to estimate business revenue and trip mileage, fuel utilization and cost per gallon, to estimate fuel costs.

Because the applicant started his trucking operation in the month prior to the month of application, he should be able to produce statements and verification for this trucking business revenue. The worker may also request statements and verification of revenue and expenses from last year's trucking operation if the applicant indicates that last year's trucking revenue and expenses to date are not representative.

In short, eligibility staff must use their best judgment when estimating net business income in these situations.

D. Net Profit

Net profit from self-employment is considered gross earned income. Net profit is the difference between gross income and business expenses. If the computation of net profit discloses that a loss has occurred, income from self-employment will be zero.

E. Determining Total Gross Earnings

Add any gross earnings of the person to the net profit determined in D., above. If the computation in D., above, results in a negative figure, the loss is not treated as a deduction from other income of the MFBU.

EXAMPLE:

Gross receipts from self-employment	$400
Business expenses	-450
Net profit	$ 0
Earnings from other employment	+300
Total gross earnings	$300

F. Deductions

1) Once net profit (gross earned income) from self-employment is determined, earned income deductions are allowed. Deduct from the total gross earnings of the self-employed person the standard $90 deduction for work expenses and dependent care deduction if applicable.

2) When the applicant/beneficiary is entitled to the $30 and 1/3 deduction from earnings, determine that amount based on the net earnings arrived at in step H., above. The remainder is net non-exempt earnings to the MFBU.

6. ALLOCATION/DEEMING AND SPECIAL CASE SITUATIONS

In situations where money is allocated or deemed, the allocated or deemed income must be considered when determining income available to the MFBU.

A. Treatment of Income - Institutionalized Persons with LTC Status Who Have a Community Spouse

A Community Spouse is a person who is not an inpatient in a medical or nursing facility, and who is married to an institutionalized spouse. A spouse, either at home or residing in a Board & Care facility, meets the definition of Community Spouse and therefore is entitled to Community Spouse Income Allocation. ACWDL 91-84

This treatment begins the first day of the first month the spouses are in separate MFBUs.

1) Allocation to Community Spouse

This allocation must be figured using Form MC 176 W (1/90), Allocation/Special Worksheet B.

The allocation amount can then be entered into the MACB system using appropriate BICs.

a) Determine the net non-exempt income (which is the remainder of gross income after all allowable deductions have been subtracted) of the LTC person which exceeds the LTC maintenance need.

b) Determine the community spouse maintenance need (see Article 11, Maintenance Needs). Deduct the gross income of the community spouse from the maintenance need. Any remainder is an unmet need of the ACWDL 90-03 community spouse and can be allocated from the excess income of the LTC spouse (a) above.

c) Deposit of the long-term care spouse's income into a joint account is considered to be a transfer of the income to the spouse at home. No verification beyond evidence of such deposit is required in cases involving joint bank accounts.

d) If income is not deposited in a joint account, the beneficiary must provide documentation that the monies have actually changed hands, such as a cancelled check, bank statements, etc.

e) In cases involving deposit of the LTC spouse's income into a joint account, the worker must advise the spouses that any spousal allocation funds remaining in the joint account the month following the month of allocation will be considered 100% countable property of the LTC spouse. This could result in Medi-Cal discontinuance if the property reserve is allowed to exceed property limits. Therefore, if the spousal allocation is not spent in the month of receipt, it may still have to be transferred from the joint account bearing the LTC spouse's name the following month in order to maintain eligibility.

2) <u>Dependent Family Member Allocation</u>

This allocation must be figured using Form MC 176 W (1/90), Allocation/Special Worksheet B.

The allocation amount can then be entered into the MACB system using appropriate BICs.

a) Dependent family members shall be defined as the minor or dependent children, dependent parents or dependent siblings of either spouse provided these individuals reside with the community spouse.

b) Dependency is defined as any person who has any physical, emotional or financial dependency.

c) Computation:

(1) Determine the maximum allocation base for each family member. (See Article 11, Maintenance Needs.)

(2) Deduct the gross monthly income of that family member from the maximum allocation base of a family member.

(3) One third of the remainder shall be considered the family member allowance for that person.

(4) The total of all family member allowances shall be considered the total "Family Member Allocation."

(5) The family member allocation shall be deducted from the income of the spouse with LTC status regardless of whether such amount is actually transferred to the family members.

(6) At no time shall any income be allocated from the community spouse or family members living in the home to the spouse with LTC status.

B. <u>Treatment of Income - Institutionalized Person or Person's Spouse in Board and Care (B/C) or LTC Person with no Community Spouse</u>

1) <u>General</u>

The regulations below detail the treatment of income when an Institutionalized person or person's spouse is in Board and Care, or the LTC person has no community spouse. ACWDL 91-84

For the purposes of this computation, if the person in LTC or Board and Care is a stepparent, the stepchildren shall be treated as natural children of the person in LTC or Board and Care.

<u>EXCEPTION</u>:

These allocation regulations DO NOT apply to the at-home spouse/child(ren) who receive Public Assistance or SSI/SSP. Funds are not allocated, as detailed below, to SSI/SSP or Public Assistance recipients.

2) <u>Intent</u>

The purpose of the allocation computation detailed below, is to ensure that the children of the LTC or Board and Care person or the spouse of the BC person have a minimum amount of income to meet their needs, when the LTC or Board and Care person has income in excess of his/her maintenance need.

3) The MC 176 W Worksheet A (1/90), Section III, will be used in this determination when:

a) There is an allocation from a person in a board and care facility to the spouse and/or children at home; or

b) There is an allocation from a person with LTC status, with no community spouse, to children at home.

4) The allocation amount will be entered into the MACB system using appropriate BICs.

5) This allocation begins the first of the month the spouses, or parent and children are in separate MFBUs.

C. <u>Treatment of Income - Person No Longer Receiving SSI/Title XVI Benefits</u>

1) <u>General</u>

The regulations detailed below must be reviewed when determining the income share-of-cost for persons no longer receiving SSI due to a cost of living increase in RSDI benefits under Title II.

2) <u>Conditions of Eligibility</u>

The provisions detailed below will be applied to any MFBU which includes an ABD person who meets <u>all</u> of the following conditions:

a) Currently receives RSDI benefits.

b) Was eligible for <u>and</u> received RSDI and Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefits simultaneously in any month after April 1977.

c) Was discontinued from SSI/SSP after April 1977.

d) Received an RSDI cost-of-living adjustment (COLA) since being discontinued from SSI/SSP.

e) Would be entitled to receive SSI/SSP benefits if the RSDI COLAs received after SSI/SSP ineligibility are disregarded.

3) <u>Benefit Determination</u>

For persons meeting all eligibility criteria in E. 2), above, follow benefit determination instructions detailed in the Pickle Handbook.

D. <u>Excluded Children/Treatment of Income and Allocation to Excluded Children (for Sneede Cases, refer to Article 5, Section 14)</u>

The income of child(ren) excluded from the MFBU is not counted in determining the share-of-cost for the MFBU. Additionally, money may be allocated to the excluded child from the MFBU.

The allocation to an excluded child is based on the income standard of the Medi-Cal Program for which the MFBU is being evaluated (e.g., Medically Needy, 1931(b), etc.). The amount of the child's unmet need is calculated by subtracting the income standard without the excluded child from the income standard with the excluded child. The excluded child's net nonexempt income must be subtracted from the unmet need to determine the allocation amount. ACWDL 04-25

Note: The net nonexempt income is the income remaining after all applicable income deductions/exemptions have been applied. ACWDL 04-25

Form MC 176 W, Section 1, must be completed to determine if income of the MFBU will be allocated to the excluded child(ren).

Example of Allocation to Excluded Child		
Program	1931(b) 100%	
Household composition	Stepfather, mother, 7 year old, 15 year old (excluded child)	
Monthly income	• Stepfather - $1,356 earnings • Mother - $180 unemployment • 7 year old - $100 child support • 15 year old (excluded) - $165 Social Security	
Excluded child’s unmet need	1931(b) 100% Income Standard for 4 * 1931(b) 100% Income Standard for 3 * Gross unmet need for excluded child	$1,571 - 1,306 $265
Allocation to excluded child	Gross unmet need Excluded child’s net nonexempt income Allocation	$265 - 165 **$100**

If information and/or verification of the excluded child's income is not provided, there will be no parental allocation of income to the excluded child. ACWDL 90-91

*Examples include 2004 FPL income limits.

APPENDIX A

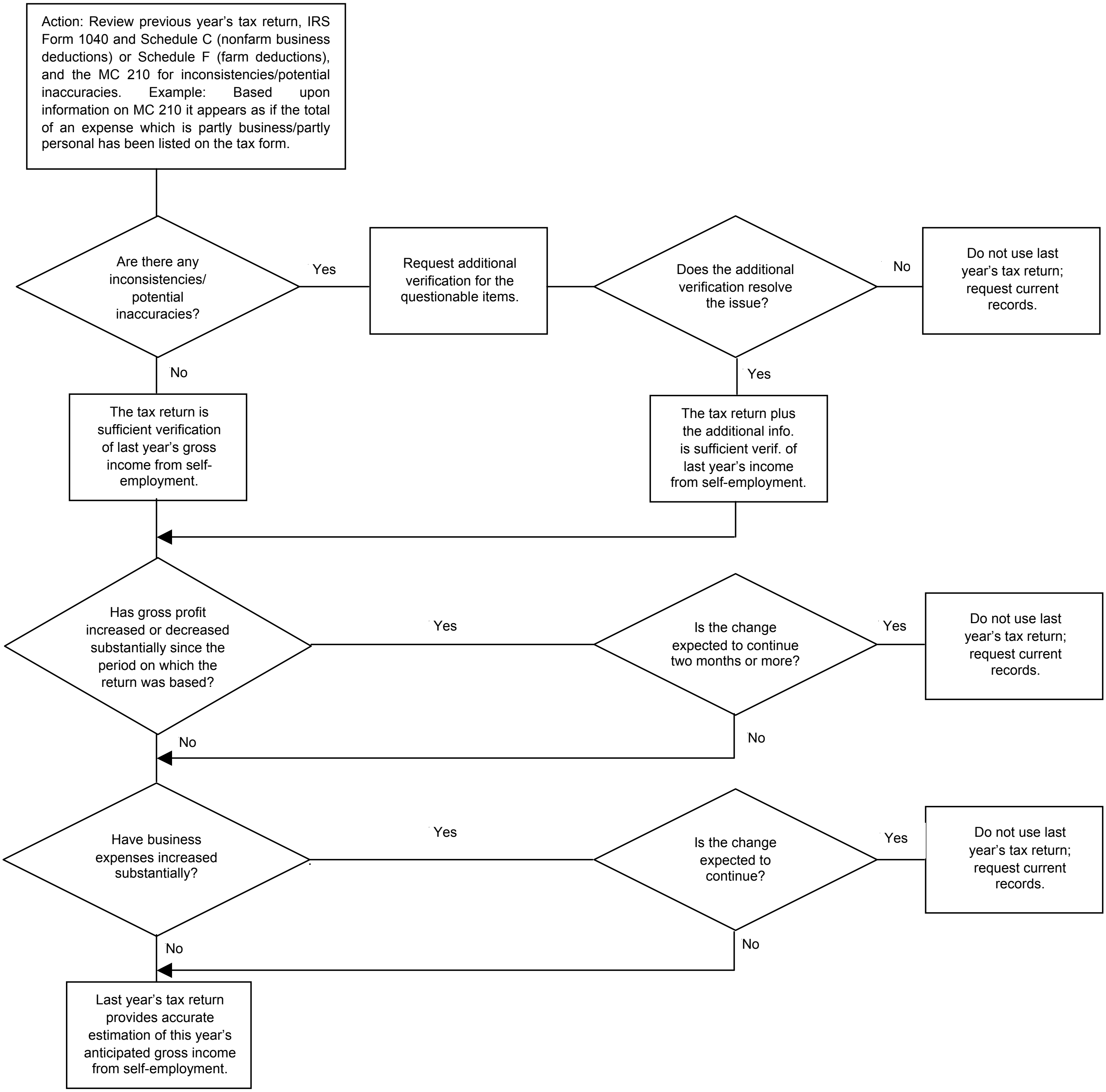
TABLE OF IN-KIND VALUES

1. VALUE OF INCOME IN-KIND EFFECTIVE	7/1/87	7/1/88	7/1/89
a. Housing			
1 person	$139	$146	$153
2 persons	188	197	206
3 persons	205	215	225
4 persons	216	226	236
b. Utilities, Including Telephone			
1 person	$ 31	$ 32	$ 33
2 persons	34	36	38
3 persons	36	38	40
4 persons	37	39	41
c. Food			
1 person	$ 78	$ 82	$ 86
2 persons	166	174	182
3 persons	212	222	232
4 persons	261	273	286
5 persons	316	331	346
6 persons	366	383	401
7 persons	408	427	447
8 persons	447	468	490
9 persons	490	513	537
10 or more persons	531	556	582
d. Clothing			
1 person	$ 25	$ 26	$ 27
2 persons	45	47	49
3 persons	69	72	75
4 persons	92	96	100
5 persons	115	120	126
6 persons	136	142	149
7 persons	162	170	178
8 persons	181	190	199
9 persons	207	217	227
10 or more persons	227	238	249

*** Historical information on income in-kind values is located in MEM Procedures, Article 10.

APPENDIX B

DETERMINING METHOD FOR CALCULATING INCOME FROM SELF-EMPLOYMENT



APPENDIX C

TREATMENT OF INCOME
SPOUSES IN SEPARATE MFBUs

	Living Situation	Unmet Need Allocation (Form MC176W)	
1.	Both Spouses in LTC	NO	
2.	One Spouse in LTC, one Spouse in Board & Care (B&C)	YES	ACWDL 91-84
3.	One Spouse in LTC: one PA/SSI Spouse at home	YES	
4.	One Spouse in LTC; one non-PA Spouse at home (with or without Children)	YES	
5.	Both Spouses in B & C	NO	
6.	One Spouse in B & C; one PA/SSI Spouse at home	NO	MEM 50563
7.	One Spouse in B & C; one non-PA Spouse at home (with or without Children)	YES	